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NAIROBI FOR LEGATT, JUSTICE FOR BLAIR BERMAN

E.O. 12958: DECL: 12/22/2019

TAGS: EINV EFIN SE

SUBJECT: SEYCHELLES TO DROP CASE AGAINST LXE SOLAR AND JIE  
(GEORGE) XIAO

Classified By: CDA Barrie Walkley for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: In a U.S. District Court, LXE Solar and Jie (George) Xiao have charged Seychelles with seizing an 8.5 million dollar bank account; the suit seeks the return of the funds plus 30 million dollars in damages. Seychelles has denied the allegations, stating that the account was legally "frozen" on the basis of evidence presented to the Supreme Court. The Seychelles investigations into the activities of LXE Solar and Xiao are associated with USDOJ and FBI investigations of related shell company accounts and money laundering. Seychelles has decided to release the funds in the LXE Solar account in return for Xiao's dropping the U.S. court case. END SUMMARY

¶2. (U) On December 1, 2009, a suit against the government of Seychelles was filed in the U.S. District Court for the Southern District of New York on behalf of LXE Solar, Incorporated and Jie (George) Xiao, a US citizen. According to a PR release issued by Xiao's lawyers, the suit charges the government of Seychelles with illegally seizing 8.5 million dollars in a Barclays Bank account in Seychelles; the suit seeks the return of that sum plus over 30 million dollars in consequent damages.

¶3. (U) On December 3, the Seychelles government issued a press release categorically rejecting Xiao's allegations and stating that the funds were "frozen," not "seized." The press release further states that Seychelles is taking "a powerful stance against international money laundering," has established a Financial Intelligence Unit (FIU) at the Central Bank to combat money laundering and has "amended legislation to give the FIU the power to investigate suspected money laundering" and "apply to the courts for lawful orders to freeze funds reasonably suspected of being the proceeds of crime." The press release concludes by stating that "the FIU in collaboration with international law enforcement partners is currently investigating an account held by LXE Solar Incorporated. The funds held in its account have been frozen on the basis of evidence presented to the Supreme Court in Seychelles."

¶4. (C) FYI -- The FIU investigations of the LXE Solar account in the Seychelles are associated with USDOJ and FBI investigations into the activities of the Red Sea/Sentry Global Organization (which involve shell companies and money laundering, among other allegations).

5.(C) On December 18, Jean-Paul Adam (Secretary of State at the Presidency) told CDA Walkley that Seychelles has reluctantly decided to drop the case against LXE Solar and Jie (George) Xiao and release the funds in the Barclays account. Discussions are underway with Xiao's lawyers: Seychelles will release the funds if Xiao drops the case in the New York court.

6 (C) Adam said the decision has been difficult for Seychelles but that the government feels it has no choice. Following the structural reforms of the last few years, the country's economy remains weak. As a result, the government is attempting to secure bond funding and fears the specter of the 38 million dollar New York court case will inhibit, or perhaps even prevent, bond funding options.

WALKLEY